

OFFICE OF THE CITY ATTORNEY

301 KING STREET, SUITE 1300
ALEXANDRIA, VIRGINIA 22314

<http://ci.alexandria.va.us>

IGNACIO BRITTO PESSOA
CITY ATTORNEY

(703) 838-4433

STEVEN L. ROSENBERG
SENIOR ASSISTANT CITY ATTORNEY

FACSIMILE
(703) 838-4810

ASSISTANT CITY ATTORNEYS
JILL R. APPLEBAUM
CATHERINE RICHARDS CLEMENT
MELISSA C. LUCK
GEORGE McANDREWS
KAREN S. SNOW

July 3, 2001

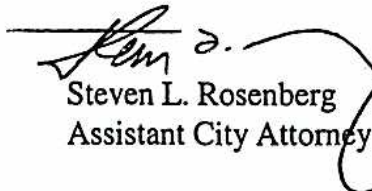
Mirant Americas Energy Marketing, LP
1155 Perimeter Center West
Suite 130
Atlanta, Georgia 30338-5416
Attn: Legal Department

Re: Agreement of Understanding between Mirant Potomac River, LLC and
City of Alexandria

Ladies and Gentlemen:

Enclosed for your records is a fully executed original counterpart of the above-referenced agreement. Thank you for your assistance.

Very truly yours,


Steven L. Rosenberg
Assistant City Attorney

Enclosure

cc: Richard Baier (w/ fully executed original counterpart)
William Skrabak

AGREEMENT OF UNDERSTANDING

This Agreement of Understanding ("Agreement") is entered into effective as of the 26th day of November, 2000, between Mirant Potomac River, LLC, a Delaware limited liability corporation ("Mirant") and the City of Alexandria ("City"). Mirant and City may be referred to herein individually as "Party" and, collectively, as "Parties."

WHEREAS, Mirant desires to undertake certain operations practices at its Potomac River Generating Facility (the "Facility") in Alexandria, for the benefit of the City;

WHEREAS, Mirant intends to help improve the aesthetics of the Facility as further described hereunder by enhancing screening and landscaping features of the Facility;

WHEREAS, the City desires to receive such operations practices, screening, and landscaping commitments from Mirant;

WHEREAS, the City previously delivered to Mirant a letter dated November 26, 2000 (the "Term Letter"), which Term Letter proposed the terms to be included in this Agreement;

WHEREAS, Mirant, then known as SEPR, agreed to the Term Letter, as evidenced by its countersignature thereof; and

WHEREAS, the Parties, as contemplated by the Term Letter, desire to enter into this Agreement to set forth their respective rights and obligations;

NOW THEREFORE, in consideration of the mutual promises and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. **Installation of Fencing.** Subject to the limitations contained in paragraph three below, Mirant shall install approximately 2,800 linear feet of board on board fencing or similar solid wood fencing, located on or near the northern, western, and southwestern property lines of the Facility. The style, height, and quality of the fencing shall be approved by the City Director of Transportation and Environmental Services and the City Director of Planning and Zoning and shall comply with applicable requirements of the Code of the City of Alexandria, 1981, as amended ("City Code"), and the City of Alexandria Zoning Ordinance ("Zoning Ordinance"). The performance by Mirant of its obligations set forth in this paragraph one shall be completed on or before December 1, 2001.
2. **Installation of Slats.** Subject to the limitations contained in paragraph three below, Mirant shall install approximately 1,600 linear feet of wood, aluminum, or PVC slats on the existing eastern fence line. The style and quality of the slats shall be approved by the City Director of Transportation and Environmental Services and the

City Director of Planning and Zoning and shall comply with applicable requirements of the City Code and the Zoning Ordinance. If Mirant is unable to install such slats, then the existing eastern fence line shall be replaced in accordance with paragraph one above, or modified to permit the installation of slats. The performance by Mirant of its obligations set forth in this paragraph two shall be completed on or before December 1, 2001.

3. **Installation Costs.** Mirant shall not incur costs exceeding \$100,000 (one hundred thousand dollars) to comply with the terms of paragraphs one and two above. After obtaining the approval of the City Director of Transportation and Environmental Services and the City Director of Planning and Zoning, as required under paragraphs one and two above, but prior to proceeding with the installations required under such paragraphs, Mirant shall obtain written estimates of the total costs to complete such installations, with an estimate separately stated for each component of the installations (e.g. northern property line of the Facility) on a per linear foot basis. If Mirant determines based on such estimates that the installations cannot be completed in their entirety with the funds Mirant has committed to expend, then Mirant shall provide written notice to the City of the deficiency and furnish a copy of such estimates to the City. Upon receipt thereof, the City shall prioritize the installations and advise Mirant in writing of the order in which such installations should be completed, subject to the foregoing limitation.
4. **Rail Crossings Contribution.** Within thirty (30) days of the date of full execution of this Agreement, Mirant shall contribute to the City \$50,000 (fifty thousand dollars) ("Contribution Amount") of the total estimated cost of \$75,000 (seventy-five thousand dollars) to upgrade the at-grade rail crossings at Slaters Lane and Potomac Greens Drive. The City shall exclusively apply the Contribution Amount towards the upgrade purposes specified in this section.
5. **Landscape Improvements.** In accordance with a Facility beautification and landscaping plan to be jointly developed by the City and Mirant, Mirant shall undertake landscaping improvements at the Facility with a total cost not to exceed \$200,000 (two hundred thousand dollars). The performance by Mirant of its obligations set forth in this paragraph five shall be completed on or before December 1, 2001.
6. **Performance Date Extension.** Notwithstanding anything to the contrary herein, if Mirant is unable to complete performance on or before any of the above performance dates due to an action or omission of any third party, including, but not limited to any governmental or regulatory agency, or an event or circumstance that was not anticipated as of the execution date of this Agreement and which is not within the reasonable control of or the result of the negligence of Mirant, then such performance date shall be extended to the extent reasonably necessary to permit Mirant to complete such performance obligations.

7. **Total Costs of Contribution.** In no event shall Mirant incur aggregate costs under paragraphs one, two, four and five of this Agreement in excess of \$350,000 (three hundred fifty thousand dollars).
8. **Approval Modifications.** None of the terms of this Agreement shall modify, affect, or limit in any way, any approvals, including zoning approvals, the terms of any existing special use permit, or any rights related to the Facility. The operation of the Facility shall continue to be governed by applicable law, including, without limitation, any provisions of the Zoning Ordinance concerning special use permits.
9. **Public Process Participation.** None of the terms of this Agreement shall preclude or limit the participation of the City or Mirant in any public process concerning permits issued or to be issued to Mirant, or compliance by Mirant with the requirements or conditions of any such permits, or other applicable laws or regulations. Neither the City nor Mirant intends by this Agreement to waive or limit any rights or obligations that either might assert in any such proceedings.
10. **Fugitive Coal Dust Minimization Practices.** (a) Mirant shall continue to implement the following steps previously employed at the Facility by Potomac Electric and Power Company to minimize Facility coal dust:
 - Use a car dumper water spray header to suppress dust during the process of unloading the individual coal cars.
 - Use a car dumper door curtain to enclose the area during the unloading process and reduce dust release during this stage of delivery.
 - Use a primary process surfactant spray coupled with an enclosed chute to reduce dust levels during coal transport.
 - Maintain the coal chute with a third and final surfactant spray nozzle to reduce the coal dust plume from dropping to the pile.
 - Maintain either a consistently large size of coal on the coal pile or a pile of sufficiently coarse and consistent coal to minimize the amount of dust to be potentially released.
 - Routinely compact the coal pile with a bulldozer and maintain the surface in a condition not conducive to loose dust release.

- Maintain the coal handling area in the main plant building under a slightly negative pressure so that any leakage in this area flows into the Facility and not into the environment.

(b) In the event of any future problems with fugitive coal dust, at the request of the City, Mirant shall in good faith consider measures in addition to its current practices to resolve any such problems.

11. **Coal Deliveries and Train Traffic Practices.** (a) In order to improve the train traffic to and from the Facility for the delivery of coal, Mirant shall continue to maintain the following steps:

- Schedule deliveries to occur between the hours of 7:00 p.m. to 11:00 p.m., unless otherwise permitted by the City in writing.
- Maintain a comprehensive log of train traffic to and from the Facility in order to enforce and monitor the agreement with the train operator.
- Routinely initiate meetings with the train master and regional offices to monitor and improve train operator performance.
- Routinely schedule meetings and invite the City to participate in discussions and convey any train operator performance concerns that the City may have directly to the train operator.

(b) Mirant shall, in writing, advise the train operator of the City's concerns about disruptions to vehicular and pedestrian traffic on Madison Street and Montgomery Street during coal delivery, and the City's desire that during such deliveries only one of such streets be blocked at any one time. Mirant shall also communicate in writing to the train operator the City's request that the train operator promptly notify the City in advance if it anticipates that both streets will be simultaneously blocked, the reason for the blockage, and its anticipated duration. Provided that Mirant communicates to the train operator the notice and request required under this paragraph eleven, Mirant shall be deemed to have fulfilled its obligation under this Agreement, and, in the event that the operator simultaneously blocks both streets, the City shall not deem Mirant in default. In no event shall Mirant direct or request that both streets be blocked simultaneously. Contemporaneously with the delivery of its correspondence to the train operator, pursuant to this paragraph eleven, Mirant shall provide to the City a copy of such correspondence.

In the event Mirant determines that the train operator has failed to comply with applicable federal railroad safety standards, including standards which require the placement and removal of flares on the George Washington Memorial Parkway, Slaters Lane, and other Streets and roadways located in the City, during the use of the

spur which provides access to the Facility, then Mirant shall provide written notice to the train operator of such failure to comply, and shall request that the train operator undertake to comply with such standard in the future. A copy of any such written notice from Mirant to the train operator shall be delivered to the City. Notwithstanding anything to the contrary in this section, in no event is Mirant under any obligation to directly monitor the compliance of the train operator with applicable federal safety standards.

12. **Modifications to Existing Practices.** Mirant is committed to maintaining the current practices described herein. Mirant may in good faith propose the modification of any practices listed herein, including those in sections ten and eleven, but, shall obtain the prior written consent of the City prior to implementing any such modifications to such practices, such consent to not be unreasonably delayed or withheld.

13. **Notices.** All notices required by any of the terms and conditions of this Agreement shall be deemed to have been duly given when actually received (or when delivery has been refused) by the intended recipient if delivered by hand delivery, or upon deposit with Federal Express or other reputable overnight delivery service, or when deposited in the United States Mail, postage prepaid, certified mail, return receipt requested, addressed as follows:

To Mirant: Legal Department-Americas Group
1155 Perimeter Center West
Atlanta, Georgia 30338-5416

To City: 301 King Street
Suite 4100
Alexandria, Virginia 22314
Attn: Director of Transportation and Environmental Services -

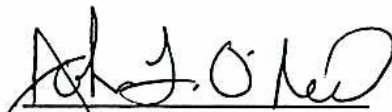
14. **Assignment of Agreement.** No Party shall transfer or assign this Agreement or any part hereof without the prior written consent of the other Party, which consent shall not be unreasonably conditioned, withheld, or delayed.
15. **No Third Party Beneficiaries.** None of the promises, rights, or obligations contained in this Agreement shall inure to the benefit of any person or entity not a Party to this Agreement; and no action may be commenced or prosecuted against any Party by any third party claiming to be a third party beneficiary of this Agreement.
16. **Entire Agreement.** This Agreement constitutes the complete and entire expression of agreement between the Parties and supersedes all prior and contemporaneous offers, promises, representations, negotiations, discussions, and communications which may have been made in connection with the subject matter of

this Agreement. This Agreement may not be amended or modified except by written agreement of both Parties.

17. **Signature Clause.** The signatories hereby represent that they have been appropriately authorized to execute this Agreement on behalf of the Party for which they sign.
18. **Limitations.** Neither Party shall be liable for consequential, incidental, punitive, or exemplary or indirect damages, by statute, in tort, or contract, or otherwise.

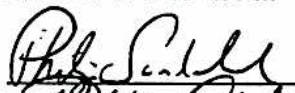
EXECUTED as of the day and year first above written.

MIRANT POTOMAC RIVER, LLC

By: 
Name: John L. O'Neal
Title: Vice President and President-Mirant Mid-Atlantic, LLC

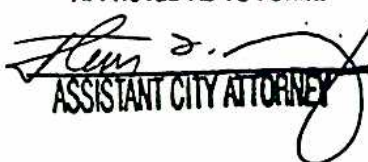
ACKNOWLEDGED this 25 day of June, 2001

CITY OF ALEXANDRIA

By: 
Name: Philip Scharf
Title: City Manager

ACKNOWLEDGED this 2nd day of July, 2001.

APPROVED AS TO FORM:


ASSISTANT CITY ATTORNEY